

**State of Iowa - Return on Investment Program / IT Project Evaluation****SECTION 1: PROPOSAL**

Tracking Number (For Project Office Use)

Project Name: Process Project Office Date: 7/14/2000Agency Point of Contact for Project: Paul CarlsonAgency Point of Contact Phone Number / E-mail: 1-7117 / Paul.Carlson@ITS.state.ia.usExecutive Sponsor (Agency Director or Designee) Signature: Richard Varn

Is this project necessary for compliance with a Federal standard, initiative, or statute? (If "Yes," cite specific requirement, attach copy of requirement, and explain in Proposal Summary) No

Is this project required by State statute? (If "Yes," explain in Proposal Summary) No

Does this project meet a health, safety or security requirement? (If "Yes," explain in Proposal Summary) No

Is this project necessary for compliance with an enterprise technology standard? (If "Yes," explain in Proposal Summary) No

Does this project contribute to meeting a strategic goal of government? (See Section 2, 2B) Yes

Is this a "research and development" project? (If "Yes," explain in Proposal Summary) No

**PROPOSAL SUMMARY:**

In written detail, explain why the project is being undertaken and the results that are expected. This includes, but is not limited to, the following:

1. A pre-project (before implementation) and a post-project (after implementation) description of the system or process that will be impacted.

Response:

- A. Pre-Project – No specific organization exists within the executive branch of State government to provide ongoing independent review and evaluation of enterprise information technology (IT) processes, programs, or systems. This lack of independent oversight limits the State's ability to improve IT integrity, security,

performance, and accountability. Our experience during the massive Year 2000 Project indicated that agencies performed with a higher level of integrity and greater fiscal efficiency when the enterprise project office exercised a reasonable level of oversight. The enterprise project office was also able to facilitate the sharing of information across agencies and provide necessary technical expertise to enable agencies to improve performance.

- B. Post-Project – Establish a Process Project Office within the Information Technology Department (ITD) to provide ongoing independent review and evaluation of enterprise IT processes, programs, and systems. This proposal is modeled after the successful Year 2000 Project Office, which demonstrated that independent review and evaluation of IT activities achieves beneficial results. Process Project Office responsibilities could include, but would not be limited to, establishing application maintenance and development process standards, auditing the process standards for compliance, improving work processes through automation, establishing and maintaining various independent verification and validation (IV & V) programs, establishing and maintaining an IT Return On Investment (ROI) program, and coordinating the collection and initial review of IT project funding requests.

- 2. A summary of the extent to which the project provides tangible and intangible benefits to either Iowa citizens or to State government. Included would be such items as qualifying for additional matching funds, improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, complying with enterprise technology standards, meeting a strategic goal, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, complying with federal or state laws, etc.**

Response:

- A. The integrity and security of enterprise IT application maintenance and development activities will be enhanced.
- B. Work processes will improve through the innovative development, deployment, and utilization of automation.
- C. The likelihood of an IT system malfunction or failure will be reduced.
- D. IT project accountability will be standardized.
- E. IT project financial investment justification and oversight will be improved.

- 3. A summary that identifies the project stakeholders and how they are impacted by the project.**

Response:

- A. Taxpayers – more efficient and accountable State government with improved services and less likelihood of service interruptions, service failures, or programming errors.
- B. State Government Customers – see “A” above.
- C. Federal, State, and Local Government Programs and Operations – see “A” above.
- D. Iowa Legislature – see “A” above.
- E. Private Sector Vendors – higher level of accountability required by State government.

## SECTION 2: PROJECT PLAN

Individual project plans will vary depending upon the size and complexity of the project. A project plan includes the following information:

### 1. Agency Information

**Project Executive Sponsor Responsibilities:** Identify, in Section I, the executive who is the sponsor of the project. The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

Response: See Section 1.

**Organization Skills:** Identify the skills that are necessary for successful project implementation. Identify which of these skills are available within the agency and the source(s) and acquisition plan for the skills that are lacking.

Response:

- A. IT Project Management – skills available within agency.
- B. IT Process Auditing – skills available within agency.
- C. Windows NT Auditing – training will be arranged from Advanced Technologies Group (ATG) or from the MIS Training Institute.
- D. Return On Investment (ROI) Expertise – skills available within agency or from faculty at Drake University.
- E. Process Improvement Through Automation Expertise – skills available within agency or may be acquired from vendors on an as-needed basis.

### 2. Project Information

**Mission, Goals, Objectives:** The project plan should clearly demonstrate that the project has developed from an idea to a detailed plan of action. The project plan must link the project to an agency's mission, goals, and objectives and define project objectives and how they will be reached. The project plan should include the following:

- A. **Expectations:** A description of the purpose or reason that the effort is being undertaken and the results that are anticipated.

Response:

Provide ongoing independent review and evaluation of enterprise IT processes, programs, and systems. The presence of independent oversight

enhances the State's ability to improve IT integrity, security, performance, and accountability.

- B. **Measures:** A description of the set of beliefs, tradeoffs and philosophies that govern the results of the project and their attainment. How is the project to be judged or valued? What criteria will be used to determine if the project is successful? What happens if the project fails?

Response:

A need exists for the development, implementation, and corresponding independent verification and validation of enterprise standards, programs, and processes related to a variety of IT activities and responsibilities. This is consistent with, and directly related to, the Vilsack/Pederson Leadership Agenda and strategic goal for a more accountable State government. Success factors include: the creation of enterprise IT process Standards, successful execution of the process standards, implementation of an independent enterprise verification and validation program, improved work processes, the establishment and implementation of a meaningful enterprise IT investment accountability program, and enhanced customer satisfaction.

- C. **Environment:** Who will provide input (e.g., businesses, other agencies, citizens) into the development of the solution? Are others creating similar or related projects? Are there cooperation opportunities?

Response:

Agency directors and agency IT staff from throughout State government have been requested to provide input into all aspects of the programs being proposed for the Process Project Office.

- D. **Project Management and Risk Mitigation:** A description of how you plan to manage the project budget, project scope, vendors, contracts and business process change (if applicable). Describe how you plan to mitigate project risk.

Response:

The successful Y2K project management model will be the basis for the Process Project Office management philosophy. For all ROI projects, agencies will be required to prepare a budget of estimated project costs and will be reimbursed for expenses after presenting billings or paid invoices to the project office. There will be no lump-sum transfer of funds to agencies, prior to being billed. Vendor and agency project expectations will be carefully scoped and will be monitored by the project office.

- E. **Security / Data Integrity / Data Accuracy / Information Privacy:** A description of the security requirements of the project? How will these requirements be integrated into the project and tested. What measures will be taken to insure data integrity, data accuracy and information privacy?

Response: N / A

**3. Current Technology Environment (Describe the following):**

**A. Software (Client Side / Server Side / Midrange / Mainframe)**

- **Application software**
- **Operating system software**
- **Interfaces to other systems: Identify important or major interfaces to internal and external systems.**

Response: N / A

**B. Hardware (Client Side / Server Side / Mid-range / Mainframe):**

- **Platform, operating system, storage and physical environmental requirements.**
- **Connectivity and Bandwidth: If applicable, describe logical and physical connectivity.**
- **Interfaces to other systems: Identify important or major interfaces to internal and external systems.**

Response: N / A

**4. Proposed Environment (Describe the following):**

**A. Software (Client Side / Server side / Mid-range / Mainframe)**

- **Application software.**
- **Operating system software.**
- **Interfaces to other systems: Identify important or major interfaces to internal and external systems.**
- **General parameters if specific parameters are unknown or to be determined.**

Response: N / A

**B. Hardware (Client Side / Server Side / Mid-range / Mainframe)**

- Platform, operating system, storage and physical environmental requirements.
- Connectivity and Bandwidth: If applicable, describe logical and physical connectivity.
- Interfaces to other systems: Identify important or major interfaces to internal and external systems.
- General parameters if specific parameters are unknown or to be determined.

Response: N / A

**Data Elements:** If the project creates a new database the project plan should include the specific software involved and a general description of the data elements.

Response: N / A

**Project Schedule:** A schedule that includes: time lines, resources, tasks, checkpoints, deliverables and responsible parties.

Response:

Current Project Office activities include: developing and implementing an enterprise IT Process Standard for application maintenance and development activities, assisting agencies develop written policies and procedures to complement the standard, auditing for compliance to the standard, developing and implementing various IV & V programs, developing and implementing a standardized ROI program for IT investments at the enterprise level, and automating the Administrative Rules process. The Project Office and agencies have been working on these projects since February, 2000.

## SECTION 3: Return On Investment (ROI) Financial Analysis

### Project Budget:

Provide the estimated project cost by expense category.

Personnel.....	\$	190,000	
Software.....	\$	1,500	
Hardware.....	\$	1,500	
Training.....	\$	4,000	
Facilities.....	\$	4,000	
Professional Services.....	\$	40,000	
Supplies.....	\$	3,000	
Other (Specify)..Travel, Misc..	\$	6,000	
<b>Total .....</b>	<b>\$</b>	<b>250,000</b>	

### Project Funding:

Provide the estimated project cost by funding source.

State Funds.....	\$	250,000	100	% of total cost
Federal Funds.....	\$			% of total cost
Local Gov. Funds .....	\$			% of total cost
Private Funds.....	\$			% of total cost
Other Funds (Specify).....	\$			% of total cost
<b>Total Cost: .....</b>	<b>\$</b>	<b>250,000</b>	<b>100</b>	<b>% of total cost</b>

How much of the cost would be incurred by your agency  
from normal operating budgets (staff, equipment, etc.)? .....\$ 0 0 %

How much of the cost would be paid  
by "requested IT project funding"? .....\$ 250,000 100 %

Provide the estimated project cost by fiscal year: FY 2001 \$ 250,000

**ROI Financial Worksheet Directions (Attach Written Detail as Requested):**



**Annual Pre-Project Cost** -- Quantify, in written detail, all actual State government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Response: N / A – New Program

**Annual Post-Project Cost** -- Quantify, in written detail, all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Response: N / A – New Program.

**State Government Benefit** -- Subtract the total “Annual Post-Project Cost” from the total “Annual Pre-Project Cost.” This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Response: N / A – New Program.

**Citizen Benefit** -- Quantify, in written detail, the estimated annual value of the project to Iowa citizens. This includes the “hard cost” value of avoiding expenses (hidden taxes) related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses.

Response: Specific “citizen benefit” not quantifiable.

**Opportunity Value/Risk or Loss Avoidance Benefit** -- Quantify, in written detail, the estimated annual benefit to Iowa citizens or to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response:

See Section 1, Proposal Summary, Project Benefits - 2E. As a partial basis for justifying its existence, the Process Project Office proposes to utilize the budget and project oversight methodology utilized during the Y2K Project. This process resulted in a savings of over 10% (\$2.0 + million) of the total appropriated amount and was responsible for successfully delivering a Y2K compliance effort, five months before the January 1<sup>st</sup> threshold date.

In the past, project funds were generally provided to agencies in a lump sum manner, based upon an agency-generated project cost estimate. Additionally, there was limited independent oversight, reconciliation, and accountability of project costs and deliverables. During the Y2K Project, the Project Office allocated/reserved funds within its budget for particular agencies, based upon agreed agency and Project Office cost estimates and project deliverables. There was no lump sum transfer of funds from the Project Office to agencies. Agencies received financial support for their projects by presenting copies of paid invoices to the Project Office. The Project Office closely reviewed the invoices and reimbursed for verifiable expenses. On several occasions, erroneous or inappropriate paid invoices were presented for payment and were rejected by the Project Office. This independent oversight guaranteed that project funds were being spent as intended, based upon an agreed list of project deliverables.

Savings Estimate: Currently, the Pooled Technology Account contains approximately \$15,000,000 for IT projects. Using the methodology described above, the Process Project Office estimates that it can save \$250,000 during its first year of operation. These savings could then be utilized to fund other projects. In the absence of this methodology, limited additional funds (savings) would be made available. Assuming this savings estimate is accurate, the non-quantifiable benefits (see Section 1 – Proposal Summary – 2A - D, Section 2 – Project Plan - 2B) would occur at no additional cost to the State.

**Total Annual Project Benefit -- Add the values of all annual benefit categories.**

Response: See ROI Financial Worksheet.

**Total Annual Project Cost -- Quantify, in written detail, the estimated annual new cost necessary to implement and maintain the project including consulting fees, equipment retirement, ongoing expenses (i.e. labor, etc.), other technology (hardware, software and development), and any other specifically identifiable project related expense. In general, to calculate the annual hardware cost, divide the hardware and associated costs by three (3), the useful life. In general, to calculate the annual software cost, divide the software and associated costs by four (4), the useful life. This may require assigning consulting fees to hardware cost or to software cost. A different useful life may be used if it can be documented.**

Response: See Section 3, Project Budget.

**Benefit / Cost Ratio – Divide the “Total Annual Project Benefit” by the “Total Annual Project Cost.” If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If**

the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

Response: See ROI Financial Worksheet.

**ROI** -- Subtract the “Total Annual Project Cost” from the “Total Annual Project Benefit” and divide by the amount of the project funds requested.

Response: See ROI Financial Worksheet.

**Benefits Not Cost Related or Quantifiable** -- List the project benefits and articulate, in written detail, why they (IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.) are not cost related or quantifiable. Rate the importance of these benefits on a “1 – 10” basis, with “10” being of highest importance. Check the “Benefits Not Cost Related or Quantifiable” box in the applicable row.

Response:

See Section 1, Proposal Summary, Project Benefits 2A – D.

- A. Rating = 10
- B. Rating = 10
- C. Rating = 10
- D. Rating = 10

## ROI Financial Worksheet

**Annual Pre-Project Cost - How You Perform The Function(s) Now**

FTE Cost (salary plus benefits):	
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	
<b>A. Total Annual Pre-Project Cost:</b>	<b>N / A – New Program</b>

**Annual Post-Project Cost – How You Propose to Perform the Function(s)**

FTE Cost:	
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	
<b>B. Total Annual Post-Project Cost:</b>	<b>N / A -- New Program</b>
<b>State Government Benefit (= A-B):</b>	<b>N / A – New Program</b>

**Annual Benefit Summary**

State Government Benefit:	<b>\$ 0</b>
Citizen Benefit (including quantifiable “hidden taxes”):	<b>\$ 0</b>
Opportunity Value and Risk/Loss Avoidance Benefit:	<b>\$ 250,000</b>
<b>C. Total Annual Project Benefit:</b>	<b>\$ 250,000</b>
<b>D. Total Annual Project Cost:</b>	<b>\$ 250,000</b>
<b>Benefit / Cost Ratio (C / D):</b>	<b><u>1.0</u></b>
<b>ROI (C – D / Project Funds Requested):</b>	<b><u>0</u> %</b>

**X Benefits Not Cost Related or Quantifiable (including non-quantifiable “hidden taxes”)**